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UNDP: COUNTRY PROGRAMMES AND RELATED MATTERS

FIRST COUNTRY PROGRAMME FOR LATVIA

Programme period	Actual resources programmed	$
1993-1996	Net IPF	901 000
	Estimated cost-sharing*	6 095 500
	Total	6 996 500

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* Includes $434,000 from the Baltic Trust Fund.

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Latvia regained its independence on 21 August 1991 after 50 years of Soviet rule. The country held its first democratic parliamentary elections since 1931 in June 1993 and has restored its 1922 Constitution as the basis for further development of the political system. Mainly as a result of population transfers under Soviet rule, ethnic Latvians make up only 54 per cent of the total population of 2.6 million inhabitants, with the other major ethnic groups being Russians (33.1 per cent), Belarusians (4.1 per cent), Ukrainians (3.1 per cent) and Poles (2.2 per cent). Latvia's territory covers 65,000 square kilometres and it shares borders with its fellow Baltic States - Estonia and Lithuania - as well as with Belarus and the Russian Federation.

2. The process of transition to a market economy has been accompanied by the familiar range of problems encountered by other countries in transition. For Latvia, these have included in particular serious macroeconomic imbalances, dramatic fall in output, declining investment, unemployment, a sharp reduction in trade and the problem of reforming, or discarding, many highly inefficient industries. Output immediately fell by about 34 per cent in 1992 followed by a further decline of 10 per cent in 1993. Investment also declined sharply, to only 11.5 per cent of gross domestic product (GDP) in 1993. Although there are indications that investment is starting to pick up, incomes and employment remain substantially below previous levels.

3. Although still low by European standards, registered unemployment has more than doubled since 1992, reaching an estimated official rate of 6.8 per cent by July 1994; the real rate is thought to be closer to 10 per cent, owing to hidden employment in enterprises operating at less than full capacity. Unemployment is expected to rise significantly as the pace of privatization increases. Despite success in curtailing inflation, the increase in nominal wages has lagged behind inflation and a decline in the real incomes of the population is continuing. According to rough estimates, at least 35 per cent of the population live on money incomes below the poverty line. While Latvia and the other Baltic States registered high scores on the human development index, these appear to be based on inaccurate or misleading statistics. Of the major health indicators, perhaps of most concern is the declining life expectancy rate, which, particularly among men, is one of the lowest in Europe. While the increase in the infant mortality rate is stabilizing, several challenges remain. Indicators of the social stress of transition, such as alcoholism, drug abuse and a high divorce rate, are on the rise, while the growth in organized crime has become very visible. The geographical location of Latvia, its transportation networks and open banking regulations make the country an increasingly attractive transit point for illegal smuggling of all kinds, including narcotics and refugees, as well as money-laundering.

4. By late 1994 it was clear that several major achievements had been made in Latvia's economic transition, including the establishment of an independent tax system, liberalization of prices, elimination of most price subsidies, introduction of an exceptionally strong national currency and an independent monetary policy, fiscal restraint and the reduction of inflation from

960 per cent in 1992 to 35 per cent in 1993. However, progress on micro-economic reform has been less satisfying, with only limited examples of successful structural reform at the present stage.

B. National development objectives and strategies

5. The first democratically elected Government was a parliamentary coalition that lasted until July 1994, when it split up as a result of a disagreement over agricultural tariff policy. Its successor coalition Government, formed in September 1994, also accords high priority to economic and civil service reform in addition to three other national objectives, as outlined in its Declaration of Activities: security, education and rural development.

6. The strategic economic reform priority of both Governments is to develop Latvia into a successful, open and independent economic entity. This goal can best be achieved by integration of the Latvian economy into Europe and in particular the European Union (EU). Associated with that goal is achieving sustained growth of GDP and improved standards of living. To reach those goals the Government intends to maintain stable prices and exchange rates and low unemployment. Both the previous and the new Governments consider that these objectives can best be achieved in a free market environment, relying on private initiative. Priority will be given to expediting privatization, civil service reform and infrastructure development. In focusing on security, the new Government places priority on protection against common and organized crime and security of its borders. Through its focus on rural development, the Government hopes to promote economic diversification. Specific priorities within education include training in areas required for European integration and human rights education.

II. EXTERNAL COOPERATION

A. Role of external cooperation

7. The total volume of assistance in grants, credits and guarantees committed by all G-24 donors and international financial institutions in balance-of-payment support, debt relief and technical assistance for Latvia amounted to ECU 604 million, of which ECU 153 million is in the form of grants. External cooperation to this point has focused on economic stabilization, institutional development and public administration reform. As external resources are increasingly required for investment purposes, the Government has developed the Public Investment Programme (PIP), which will be used as its framework for guiding public investments and as a basis for discussions on further financial support from the international community.

B. Aid coordination arrangements

8. Responsibility for aid coordination rests with the Division of Foreign Aid Coordination of the Ministry of Finance, with overall decisions regarding technical assistance taken by the Government's Commission on Foreign Aid, made

up of representatives of all the ministries. The Division of Foreign Aid Coordination, in close cooperation with ministerial aid coordination focal points and with the assistance of the EU Programme of Assistance for Economic Restructuring in the Countries of Central and Eastern Europe (PHARE), recently released the first National Indicative Programme (NIP) 1995-1997, which is to serve as a multi-year framework for the planning and management of Latvia's technical assistance. In terms of external donors, Latvia is under the G-24 aid coordination mechanism, with the EU/PHARE office serving as local focal point. A full G-24 aid coordination meeting was held in November 1992, while the World Bank organized a public investment meeting in May 1994. The next full G-24 meeting is scheduled for 1995. Within the United Nations system, the United Nations International Drug Control Programme established a regional office in Riga and will soon be sharing new common office premises with UNDP. As United Nations Resident Coordinator, the UNDP Resident Representative is also providing country-level support to many other United Nations initiatives in support of Latvia's transition to a market-oriented democracy.

III. THE COUNTRY PROGRAMME

A. Assessment of the ongoing country programme

9. UNDP technical cooperation began in Latvia in 1992 within two frameworks: (a) the Memorandum of Understanding agreed to by the Government and UNDP; and (b) the Short-Term Country Framework for the Baltic States, which was developed in the spring of 1993 and used as the basis for the initiation of the UNDP Trust Fund for the Baltic States. While the areas of concentration for UNDP assistance identified under both frameworks were similar, it became clear once the UNDP programme began to gather momentum that a much sharper Latvia-specific strategy and country programme based on priority national development objectives needed to be elaborated in order to maximize UNDP's comparative advantages.

B. Proposals for UNDP cooperation

1. Preparatory process

10. The first country programme for Latvia has evolved out of a series of policy consultations primarily between the Government and the UNDP country office, but also including specific United Nations specialized agencies, the World Bank, the International Monetary Fund (IMF), EU/PHARE and several of Latvia's major bilateral donors. It follows and substantially sharpens the specific areas of concentration for UNDP assistance outlined in both the Memorandum of Understanding and the Short-Term Country Framework for the Baltic States. A series of programming missions conducted during 1993 have also contributed to the development of the country programme. Furthermore, at the end of September 1993, the UNDP country office prepared a comprehensive proposal for a programme of support to democratization in Latvia, which has served to stimulate a number of initiatives in this area.

2. Strategy for UNDP cooperation

11. Careful analysis of Latvia's transition priorities and national development objectives and their relationship to the UNDP mandate to build national capacity for sustainable human development, as well as activities of other bilateral and multilateral partners, has guided the Government as to where UNDP assistance should be focused. The strategy for the first country programme is derived from UNDP's comparative advantages in Latvia. While several donors and international organizations are providing support to economic and fiscal reform concomitant with the economic transition, UNDP's political, commercial and sectoral neutrality make it an excellent source for policy advice and programming support in the more sensitive areas of Latvia's transition to a civil society based on the rule of law.

12. Operationally, the grant and multidisciplinary nature of UNDP assistance lends itself to multifaceted issues such as democratization. Its flexibility enables it both to assist in the preparation of detailed strategies upon which national programmes are based and to provide immediate technical assistance to pressing national priorities. Furthermore, the emphasis of UNDP on national capacity-building, its ability to work with all segments of civil society and the flexibility of the national execution modality make UNDP a trusted and responsive partner.

13. An underlying strategy in the selection of specific areas for UNDP assistance is the need to facilitate a more focused and impact-oriented approach to the transition challenges facing Latvia. As a result of having to develop so many fundamental policy reforms at the same time, implementation of those reforms is often delayed as well-formulated frameworks for implementation are often not in place. Consequently, to the extent possible, a programme approach is being followed where a portion of UNDP's limited core indicative planning figure (IPF) resources are being utilized in an upstream manner to support policy dialogue and then to help the Government develop comprehensive national programmes in various priority areas such as protection and promotion of human rights and Latvian language training as a means of integration. In this manner, UNDP assistance is used to help Latvia better articulate its priorities, mobilize resources and ensure close substantive coordination between national, bilateral and multilateral sources of technical cooperation. Such an approach reinforces the Government's lead role while maximizing the impact and cost-effectiveness of technical cooperation.

3. Proposed UNDP cooperation in selected areas of concentration

14. After an assessment of UNDP's main comparative advantages, priority areas of Latvia's transition and the assistance activities of other bilateral or multilateral partners, the Government would like UNDP resources to be concentrated on the following three areas: (a) democratization and promotion of social integration; (b) public administration reform and governance; and (c) addressing the social impact of transition.

(a) Democratization and promotion of social integration

15. Although much progress has been made towards re-establishing the democratic foundations that existed in Latvia before 1940, the process of democratization and development of a society based on the rule of law will need considerable attention and commitment for a long period of time. Newly re-emergent democracies such as Latvia need strong democratic institutions and systems. They also need to engender the development of a "civil society" that will facilitate broad participation of various groups in society, whether non-governmental organizations, women's groups, private sector associations or cultural and religious organizations.

16. At present 2.51 million residents are registered in Latvia, of whom approximately 734,000, or 29 per cent, are residents who do not possess Latvian citizenship. The largest group of "non-citizens" consists of Russians (460,000, or 63 per cent of all non-citizens), followed distantly by Belarusians (12 per cent) and Ukrainians (8 per cent). With the withdrawal of Russian troops by the end of August 1994 and the passing of the Citizenship Law in the summer of 1994, the two most critical political issues facing Latvia since independence have been resolved. Top priority is now placed on promoting social integration and ensuring that naturalization of persons willing to become citizens of Latvia takes place with due process.

Proposed UNDP cooperation

17. While the major focus of international assistance has been on the economic transition, considerable assistance is needed in support of the democratic transition away from inherited communist structures. As a result of its comparative advantages of neutrality, experience working with all parts of civil society and its emphasis on building national capacity, UNDP will provide assistance to concrete programming initiatives in the following areas in close cooperation, and in some cases on a cost-sharing basis, with major bilateral donors, European organizations and selected United Nations agencies.

(i) Protection and promotion of human rights

18. While various international human rights missions have concluded that, since Latvia regained its independence, no gross or systematic violations of fundamental human rights have taken place, it is clear that at this stage in Latvia's transition to a democratic society based on principles of the rule of law there are - as with all other countries in transition - a number of needs in this area that must be addressed. In order to respond effectively to those needs in a comprehensive and sustainable manner and to build national capacity for the protection of human rights, and in line with the Vienna Declaration and Programme of Action adopted by the World Conference on Human Rights in 1993, the Government determined that a national programme for the protection and promotion of human rights needed to be developed through which both national priorities could be determined and national and international resources integrated.

19. At the explicit request of the Government, in mid-1994 UNDP organized and led a unique high-level mission to assist the Government, the Parliament and non-governmental organizations (NGOs) develop such a national programme. For

the first time, senior human rights experts from the Conference on Security and Cooperation for Europe (CSCE, now the Organization for Security and Cooperation in Europe (OSCE)) and the Council of Europe participated with the United Nations in a joint needs assessment mission. Policy dialogue was initiated several months earlier through a confidential seminar in which the Government requested UNDP and through it the United Nations Centre for Human Rights to participate in order to provide advice to the newly appointed State Minister for Human Rights. While the national programme is to be released early in 1995, the Prime Minister has announced that an independent institution for the protection of human rights will be created in Latvia and has requested UNDP assistance to help establish it. As the centrepiece of the national programme, it is anticipated that this independent institution will have four core functions: (a) to serve as the independent structure to which any resident can field an individual complaint, which would then be solved through a process of conciliation; (b) to examine current and future legislation so as to ensure its conformity with Latvia's international human rights treaty obligations; (c) to serve as the focal point for a national programme of human rights education; and (d) to conduct general inquiries into the needs of particularly vulnerable groups.

(ii) Development of a national Latvian language training programme as a means of integration

20. In 1989, the Law on Languages, enshrining Latvian as the State language, was adopted. The law was prompted by significant narrowing of the use of Latvian in all realms of public life. According to the 1989 census, ethnic Latvians made up 52 per cent of the population; Latvian as a native or second language was spoken by 62.3 per cent of inhabitants; and 38 per cent of all inhabitants had no knowledge of Latvian. In spite of its political and socio-cultural importance, a comprehensive language policy has not yet been developed nor has any sustainable institutional framework for language training been established to guarantee accessibility and quality.

21. With the passage of the Citizenship Law and its requirement that those seeking naturalization possess sufficient knowledge of Latvian, it is critical that a comprehensive programme for Latvian language training be developed and implemented as soon as possible so that such training is accessible to all those who desire it, thereby enabling any resident of Latvia to integrate fully. At the request of the Prime Minister, UNDP is using similar methodology as with the human rights programme and in collaboration with both bilateral donors and international organizations (the Council of Europe and the United Nations Educational, Scientific and Cultural Organization (UNESCO) is assisting the Government in the development of a comprehensive national programme for Latvian language training. UNDP technical cooperation support combined with bilateral donor cost-sharing will be used: (a) to finance the elaboration of the national programme; (b) to provide institutional development support to the establishment of appropriate testing mechanisms; (c) to establish a programme implementation unit to support the implementation of the national programme once fully elaborated; and (d) to provide immediate language training after release of the national programme.

(iii) Judicial training

22. The systematic abuse of power by the former regime resulted in the low level of confidence the public exhibits towards public officials and the judiciary. Public respect for judges needs to be improved and a genuinely independent judicial culture needs to be created; to do this the judiciary needs, to be retrained in several principles of the rule of law, including separation of powers and the relevance of international treaties. In order to address this, UNDP technical cooperation support is being combined with assistance from the American Bar Association's Central and East European Law Initiative, the United States Agency for International Development, the United States Information Service and the Soros Foundation to establish a judicial training institute under the auspices of the Latvian Judges' Association to provide regular training for new as well as experienced judges in substantive areas of law and judicial practice.

(iv) Gender policy development

23. In Latvia, while women are safeguarded through legislation that guarantees women legal equality, prevailing de jure equality does not correspond with de facto rights women can exercise in society. The rise of unemployment has hit women the hardest; current shortcomings in social assistance and health care have also had a negative impact. While the importance of maximizing the contribution of women to society is recognized, in the process of transition and conflicting priorities neither a clear policy nor adequate structures exist to design and implement gender-related policies. As research on the status of women is rather limited and few gender-disaggregated data exist, national policy-making is further inhibited. With the Fourth World Conference on Women taking place in 1995, UNDP technical cooperation support to develop national capacity for gender policy development will play a catalytic role in highlighting gender issues and in strengthening capacities of national structures for the advancement of women.

(v) Support to the development of non-governmental organizations

24. An important element in promoting democratization is to facilitate the involvement of NGOs in Latvian civil society. A small portion of UNDP assistance will be used in combination with bilateral cost-sharing to create a mechanism to provide assistance to Latvian NGOs involved in social and human development. As a first step, the UNDP country office has compiled a preliminary inventory of all such organizations operating in Latvia. UNDP also plans to use NGOs for project implementation wherever appropriate.

(vi) On-site aid coordination for democratic institution-building

25. As a follow-up to the December 1993 Council of Europe/G-24 meeting on democratic institution-building, a mechanism for on-site coordination of assistance for democratic institution-building is being established in Latvia; it will be co-chaired by the Government and UNDP Latvia on behalf of the G-24. In support of that initiative, UNDP will utilize Special Programme Resources (SPR) aid coordination resources to finance a series of needs assessments to

assist the Government elaborate national programme frameworks in various areas of democratization.

26. Approximately $5.1 million, or almost 73 per cent of total anticipated resources, have been earmarked for support to democratization and social integration.

(b) Public administration reform and governance

27. Latvia has embarked upon an extensive reform of its bureaucracy under the leadership of the Ministry of State Reform. While there has been significant initial success, many challenges remain. Central to the reform is the creation of a professional, efficient and effective public administration that will be able to deliver services that are required for a democratic system to function. Extensive training of all levels of the civil service is a top priority. An important element of any broader reform must include building the capacity of the administration to undertake certain core functions of macroeconomic analysis, public investment programming and external resource management in a satisfactory manner.

Proposed UNDP cooperation

28. As a result of its comparative advantage of neutrality and its experience in management development, UNDP will provide assistance to the following areas.

(i) Civil service reform and public management training

29. In line with the law on the status of civil servants, a comprehensive programme of civil service reform that improves conditions for administrative reform at both central and local levels is currently being implemented. Of particular note is the introduction of a comprehensive examination for civil servants and the establishment of a public adminstration school to provide training for entry-level civil servants. Under the auspices of UNDP's Management Development Programme, a series of diagnostic consultancies on public administration reform were fielded in early 1993 as an input to the development of the national programme. Advisory support has also been provided by UNDP on the implementation of the civil service reform law.

30. UNDP technical cooperation is also being utilized to support management training of the most senior members of the public administration so that they function in a professional, service-oriented manner. A high-level management training seminar for all Cabinet Ministers was sponsored by UNDP; chaired by the Prime Minister, it was the first forum organized for the newly elected Government. A similar management and leadership training seminar for the new Cabinet has also been conducted. A series of regular management skills/leadership training seminars is being held to upgrade the modern management capacities of Latvia's most senior civil servants. Further, in close collaboration with the British Council, the British Government and the Soros Foundation, UNDP is supporting the Public Service Language Centre, which is providing direct English language training for a broad spectrum of public servants.

(ii) Capacity-building for enhanced economic management

31. Although Latvia has clearly made significant progress towards its goal of developing a market-oriented economy, some major problems remain that threaten the speed and efficiency of further reform. Several of these relate to the management of economic policy and highlight the need for more effective analysis and policy development. While the Government has had certain success in devolving a number of operational functions to specialized agencies, it is clear that its capacity to manage and perform its core economic functions must be enhanced if Latvia is to achieve integration with the economies of Western Europe.

32. At the Government's request, a World Bank-financed study on economic management was executed by UNDP/OPS through a management services agreement; it provided an in-depth examination of overall economic management of the public sector as well as advisory support on the establishment of the PIP unit. As a follow-up, UNDP technical cooperation support and bilateral donor cost-sharing are being utilized to finance a capacity-building programme, whose main objective is to enhance the managerial and analytical capacity of the Government in the formulation and implementation of economic policies for transition to a market economy.

(iii) External resource management

33. The success of Latvia's transition will depend in part on the effective utilization of its external resources, including technical assistance. UNDP assisted in the elaboration of the NIP by training all ministerial foreign aid coordinators and the Division of Foreign Aid Coordination. Further UNDP training support in areas such as project and investment analysis and debt sustainability and management will be provided through Latvia's participation in the regional project "Regional Training/National Capacity-Building for External Resource Management".

(iv) Support to the development of a national public procurement programme

34. Public procurement regulations are at present lacking and need to be introduced in combination with training of personnel responsible for the procurement of goods and services in order to ensure transparency and cost-effectiveness of public investment. As a result of a UNDP-financed study by the International Trade Centre (ITC), Latvia opted to utilize the United Nations Commission on International Trade Law model for its national procurement law. In coordination with World Bank assistance, further UNDP technical cooperation support is being provided to develop national regulations on public procurement based on international standards, to assist in the design of the institutional set-up required to implement and monitor those regulations, and to provide specific training for officials in the new regulations and their implementation.

35. Approximately $1.13 million, or 16 per cent of total anticipated resources, have been earmarked for public administration reform and governance.

(c) Addressing the social impact of transition

36. The social security system continues to struggle to adapt to the different demands of an emerging market economy. Social protection mechanisms devised for the previous economic system of full employment guarantees are no longer in a position to cope effectively with problems such as unemployment, decline in real incomes and the dramatic increase in poverty.

Proposed UNDP cooperation

(i) Actuarial support to pension reform

37. As in almost all other economies in transition, the most important and perhaps most controversial element of social protection reform is pension reform. In early 1994, the Government proposed a three-tier pension scheme to replace the financially unsustainable single system now in effect. Before adopting such reforms, the Government determined that their financial and economic consequences needed to be analysed to ensure that society was not charged with a benefit system that was not sustainable. As Latvia does not at present have the capacity to undertake such actuarial analyses, UNDP technical cooperation support was immediately utilized to provide actuarial support to the design of a socially, financially and economically sustainable social security pension scheme. Objective policy advice is being provided by the International Labour Organization (ILO) on both the quantitative financial and economic impact of the envisaged reform of the pension scheme and on the establishment of a unit for quantitative social policy analysis.

(ii) Strategic support to social protection reform

38. The Government is in the process of converting the present non-health-related social protection system into a full-fledged social insurance system complemented by a social assistance scheme. A social insurance umbrella law that introduces social insurance financing is being finalized and will be complemented by four individual laws on pensions, employment services and unemployment benefits, short-term cash benefits and employment injury benefits. It is clear that before finalizing reforms of this magnitude, which will affect the lives of generations to come, it is imperative that a strategic analysis be conducted regarding the social, economic, financial and institutional impact of such reforms. A joint UNDP/ILO programme of technical cooperation support is being developed to help provide such an objective, strategic review of all elements of social protection reform. Furthermore, as building the analytical and managerial capacity required for the implementation of the reforms is as crucial as the reforms themselves, UNDP/ILO technical cooperation support will also be used for the implementation of a tailor-made social insurance/social assistance training programme for core staff.

(iii) Monitoring the social impact of transition

39. In order to provide relevant authorities with the information required for policy development and better distribution of social assistance, the existing system for conducting household budget surveys needs to be revised so that accurate poverty profiles can be developed. Grant assistance from the World

Bank with technical cooperation support from UNDP will be utilized to support such a redesign. In addition to being relevant to the needs of market-oriented economies, these new surveys should represent the basis for an assessment of poverty in Latvia and the design of appropriate social policies. UNDP assistance will be focused on medium-term capacity-building support to the overall national system of social statistics and development of poverty indicators. This support will be closely integrated with other United Nations/UNDP initiatives such as the development by the United Nations Children's Fund (UNICEF) of statistical profiles on the impact of transition on mortality, health and nutrition and UNDP's support to elaboration of human development indicators.

(iv) Development and implementation of family planning policy

40. Family planning was relatively unknown in Latvia until the early 1990s; in 1993 the number of abortions still exceeded the number of births. For many women, particularly young single women, abortion remains the only available means of birth control, causing many unnecessary complications and 80 per cent of all cases of infertility. Although maternal and child health are considered health priorities, there remains a dearth of either policies or capacity in family planning. A national policy for family planning needs to be developed and implemented in such areas as counselling, contraception and abortion, maternal health and nutrition. In close cooperation with the United Nations Population Fund (UNFPA), the World Health Organization (WHO), the Ministry of Health and Welfare and the Latvian Family Planning Association, UNDP will provide support to the formulation of a national policy and help raise awareness of such issues within Latvian society by organizing follow-up activities to the International Conference on Population and Development held at Cairo in 1994.

(v) National human development report initiative

41. Despite the fact that many of the challenges related to the transition to a democratic society are of a similar nature, the priorities, emphasis and pace of the transition process varies radically between various countries and subregions. For Latvia, two main issues - social integration and social stress - have been identified as critical elements of the transition and will subsequently be highlighted in the first national human development report for Latvia. In brief, the report will (a) examine a number of critical issues related to human development and Latvia's transition to a market-oriented democracy; (b) develop and prepare policy strategies to achieve and sustain human development in Latvia; and (c) raise public awareness and promote public debate on the priorities of human development in Latvia. The process of preparation and the report itself should provide a unique forum for Latvian decision makers to determine a coherent approach for future policy and to initiate, reinforce or reorient reforms already under way in various areas related to human development.

42. Approximately $500,000, or 7 per cent of total anticipated resources, have been earmarked for addressing the social impact of transition.

C. Assistance outside the main country programme areas

43. An unprogrammed reserve has been established to address technical cooperation needs that fall outside the three areas of concentration. A portion of this reserve will be used to enhance the effectiveness of UNDP technical cooperation by providing support to the Transfer of Knowledge through Expatriate Nationals (TOKTEN) facility and further financing to a mechanism for short-term consultancies and training in selected areas of high priority. In addition, in close cooperation with UNDP's MDP, a science initiative was launched to finance preliminary need assessments conducted for the establishment of strategic alliances between Latvian scientific, research and development institutions and high-technology transnational corporations. It is anticipated that a portion of UNDP resources will also be used to develop initiatives in environmental management, particularly in areas such as protection of the ozone layer, which could lead to a large-scale project through the Global Environment Facility (GEF).

D. Implementation and management arrangements

44. The country programme has been formulated to reflect an impact-oriented approach to the transition challenges facing Latvia. The Government would like UNDP technical cooperation to be used to move towards a programme approach by providing support to the development of national programmes in priority areas such as the protection and promotion of human rights.

45. The estimate of total financial resources available for the first country programme is based on Latvia's core UNDP indicative planning figure (IPF) allocation of $901,000 (70 per cent of initial fifth-cycle allocation), an allocation of SPR resources for specific areas such as gender policy development and aid coordination, as well as a significant amount of bilateral donor cost-sharing, including Latvia's portion of the UNDP Baltic Trust Fund, to which the Governments of Denmark, Finland and Sweden have all made a contribution. The UNDP programme in Latvia is intended to serve as an instrument to mobilize additional resources from various sources, including global funds, international organizations, bilateral donors, non-governmental organizations and private foundations.

46. While several of the challenges faced by the three Baltic States in their transition to market-oriented democracies are similar, the speed and pace of reform in each country, combined with the many differences that characterize each one, make it clear that in order to have maximum impact, programming interventions must be tailored to the specific circumstances in each country. Consequently, most of the resources available for Latvia through the UNDP Baltic Trust Fund have been utilized as catalytic financing for UNDP activities within each area of concentration as outlined in the country programme. That being said, Latvia considers both Baltic and regional cooperation to be very important. In terms of Baltic cooperation, a mechanism will be developed with Baltic Trust Fund resources to support the training of senior Baltic officials in priority fields. Latvia will also benefit from UNDP regional activities in economic reform (turnaround management) and external resource management.

47. The goals of integration of UNDP technical cooperation into national development programming and increased national capacity will not be attained without the Government taking the lead. Consequently, in terms of programme and project execution, most programming initiatives will be executed nationally. At the same time, the United Nations specialized agencies will play a role in their respective areas of expertise by assisting in strategy formulation, technical monitoring and implementation of specific technical components as appropriate.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	$	$
Carry-over from fourth cycle	-	
Fifth cycle IPF	901 000	
IPF AVAILABLE		901 000
Baltic Trust Fund Cost-Sharing	434 000	
Cost-sharing	5 661 500	
Cost-sharing		6 095 500
TOTAL RESOURCES		6 996 500

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

	(United States dollars)			Percentage of total resources
Area of concentration	IPF	Cost-sharing	Total	
Democratization and social integration	345 000	4 755 500	5 100 500	72.9
Public administration reform and governance	215 000	915 000	1 130 000	16.2
Addressing the social impact of transition	75 000	425 000	500 000	7.1
Activities outside areas of concentration	153 000	-	153 000	2.2
Unprogrammed reserve	113 000	-	113 000	1.6
TOTAL	901 000	6 095 500	6 996 500	100.0

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds	
SPR	205
UNCDF	-
UNSO	-
UNIFEM	-
UNRNE	-
UNFSTD	-
B. Other United Nations resources	
JGCP participating agencies	
UNFPA	80
UNICEF	10
WFP	-
IFAD	-
Other United Nations agencies	150
Global Environment Facility (GEF)	-
C. Other Non-United Nations resources	
TOTAL	445

Annex II

PROGRAMME MATRIX

Areas of concentration	Area of focus					
	Poverty eradication and grass-roots participation in development	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
Democratization and promotion of social integration	•		•	•		•
Public administration reform and governance			•	•	•	
Addressing the social impact of transition	•		•	•	•	•